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## Research:

### Miami Springs, Florida; Tax Secured, General Obligation

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### Credit Profile

#### AFFIRMED

\$5.000 mil. Miami Springs GO bnds ser 1997 dtd 09/01/1997  
 due 02/01/1999-2013 2018

AAA/BBB+(SPUR)

#### OUTLOOK:

STABLE

### Rationale

The rating outlook on Miami Springs, Fla.'s GO bonds has been revised to stable from negative, reflecting an improved financial position in fiscals 2003 and 2004. The 'BBB+' Standard & Poor's underlying rating (SPUR) has been affirmed. The rating reflects:

- Thin, but improved, reserve levels at fiscal year-end 2003;
- A history of non-self-supporting enterprise operations, which have contributed to deterioration in the general fund;
- A significant number of material weaknesses identified in the compliance section of the fiscal 2002 and 2003 audits; and
- Wealth levels that are slightly below average.

These factors are partly offset by:

- The city's location within the deep and diverse Miami metropolitan area;
- Recent stabilization of general fund operations coupled with efforts to make some of the city's enterprise operations self-supporting;
- Steady, healthy growth in the tax base; and
- A low debt burden and limited future capital needs.

The city's outstanding GO bonds are secured by an unlimited-tax full faith and credit GO pledge. In December 2003, Standard & Poor's Ratings Services lowered the rating on the city's GO debt to 'BBB+' from 'A' and assigned a negative outlook.

While the city's financial position still remains weak, fiscal 2003 reserve levels improved and for the fiscal year ended Sept. 30, 2004, management projects continued improved results. For fiscal 2003, the general fund posted a \$1.4 million deficit. Like the previous year's deficit, the fiscal 2003 deficit was primarily due to transfers out of the general fund to the golf course and the sewer enterprise fund. The city started the year with a total fund balance of \$2.2 million and ended with \$853,642. Of this amount, the unreserved portion totaled \$574,098, or a still thin 5.1% of general fund expenditures. While this figure remains thin, it is an improvement over the previous year's figure of negative \$302,000.

For fiscal 2004, city management's unaudited general fund results indicate a surplus of \$899,165. The ending unreserved general fund balance increased to \$2.7 million, or about 27% of expenditures and transfers--which is a significant increase over the fiscal 2003 figure of only \$574,098. The general fund surplus is largely attributed to expenditure savings of about \$900,000 during the course of year and another \$1.2 million from previous year adjustments. The adjustments largely consisted of several transactions (in the law enforcement, hurricane, and grants funds) that had been improperly recorded in

previous year periods and reimbursed to the general fund. While the general fund balance has increased, the golf course fund remained non-self supporting, as did the sanitation fund. In fiscal 2003, the sewer fund was also non-self-supporting. In 2003, however, water and sewer rates were increased by 10%, which partly resulted in these funds not requiring general fund support.

The previous audits have also included several material weaknesses. In fiscal 2003, the material weaknesses identified totaled about 17, and ranged from excessive use of manual entries to lack of control over golf course operations. City management continues to work to address these weakness and the fiscal 2004 final audit is expected to have significantly fewer material weaknesses. During calendar year 2004, the city also hired a new finance director and a new assistant city manager, in part to help improve the city's financial operations.

The fiscal 2005 general fund adopted budget totals \$10.1 million, up a modest 3.7% over fiscal 2004 revenues of \$10.3 million. Year to date, management projects another modest surplus, and reserves are expected to further increase. The tax rate was maintained at the previous year's rate of 8.15 mills per \$1,000 of assessed valuation. Property taxes are the largest revenue source, accounting for about 55% of expenditures. Property tax collections are good, with the current year rate at 97% in 2003.

Debt burden is low at \$1,756 on a per capita basis and 3.3% of market value. Debt service carrying charges in fiscal 2003 remained low at about 4% of total governmental funds. Management does not plan to issue additional debt in the near future. Presently, the city does not have any variable-rate debt, nor is the city engaged in any swaps.

## ■ Outlook

The outlook revision to stable from negative reflects a recent improvement in financial performance and position. The stable outlook also reflects the expectation that management will continue to develop satisfactory long-term solutions to make the city's enterprise funds self-supporting, while maintaining healthy general fund reserves.

## ■ Economy

Miami Springs is located in Dade County ('AA-' GO rating), bordering the Miami International Airport. The city's population is estimated at almost 14,000 and has remained fairly stable over the past decade. The city has a large commercial presence, with hotels, restaurants, and office complexes supported by the airport. City residents have employment access throughout the Miami metropolitan area. Unemployment data is unavailable for the city; however, at the county level, unemployment has historically been above the state and U.S. averages. Wealth and income levels are near the state and U.S. averages. Median household effective buying income is 105% of the state and 93% of the national levels. Per capita effective buying income is 93% of both the state and the national levels.

The city's tax base has been increasing at a healthy pace, but still remains relatively small. The fiscal 2003 tax base totaled \$723.7 million, or a high \$71,670 per capita market value. Over the past three years, the base has increased an average of 5.8% annually. The tax base could get a boost, should the city annex land in the future. Should annexations be approved, this will provide the city with additional property tax revenue. Moreover, there is no concentration in the base, with the 10 leading taxpayers accounting for 9.8% of the tax base.